

**Minutes of HEFESTIS Board Meeting held at 11:15 p.m. on Tuesday 19 March 2019 at HEFESTIS's Registered Office, Stirling Business Centre, Wellgreen, Stirling.**

**Present**

Angus Warren (Acting Chair) (AW)	HEFESTIS Ltd. (Acting Chief Executive)
Angus Allan (AA)	South Lanarkshire College
Lisa Clark (LC)	Glasgow Kelvin College
Brian Henderson (BH)	University of Aberdeen
Kathy McCabe (KM)	Heriot-Watt University
James Morris (JM)	University of Dundee
Nick Murton (NM)	Edinburgh College

**In attendance**

Elizabeth McFarlane (EM)	Corporate Services, APUC Ltd (Agenda item 7 only)
Michael Caithness (MC)	Corporate Services, APUC Ltd

**Welcome and Apologies**

- 1 The Chair thanked everyone for attending, and 'round the table' introductions were conducted.

**Background and continuing development**

- 2 Chair explained the background to the establishment of HEFESTIS saying that, for reasons of flexibility of operations etc, it was decided that HEFESTIS should be a separate company independent of APUC. He added that for future development, possibly into other shared service opportunities, it was better for HEFESTIS to be an independent company.
- 3 BH enquired if HEFESTIS might be excluded from access to technology and licensing agreements that are currently available to institutions through education sector options. Chair explained that the same principles apply to APUC and that it had not experienced any problems in this area. He added that HEFESTIS will have access to all the current frameworks available via APUC as HEFESTIS is an Associate Member of APUC.
- 4 Chair also advised that HEFESTIS had been created as a 'carbon copy' of APUC so the company model was well understood.
- 5 Chair concluded by noting that the Board will deal with all governance/guidance matters and that routine service provision aspects will be the remit of the steering groups. He added that HEFESTIS now has a very good representative Board and that there could be scope for adding further members as and when the directors deem it necessary.

## **Appointment of Chair and CEO**

- 6 Chair introduced paper HEFESTIS/01/2019 and explained that the Chair's role would be maintained as lean as possible and outlined the duties/activities that will be expected of the Chair as follows:
- To Chair Board meetings
  - To agree the agenda with the CEO/MD for each Board meeting and review the minutes before publishing
  - To line manage the MD/CEO
  - To attend (virtually or in person) the Annual Audit Committee meeting
  - To apply appropriate oversight and judgement to ensure the company operates in line with its Governance Manual and Articles of Association.
- 7 Chair then invited a volunteer from the Board to accept the role of Chair going forward.
- 8 BH offered to take on the role of Chair and the Board were happy to approve his appointment.
- 9 BH requested that the Acting Chair should continue to chair the first meeting and he agreed to do so.
- 10 Chair advised that it was customary for the company to bear the cost of membership of the Institute of Directors for the new Chair of the Board. This was agreed by the Board.

## **Appointment of CEO / Managing Director**

- 11 Chair explained the rationale for setting up HEFESTIS as a separate company out-with APUC. He informed the Board that the directors of APUC, in their November 2018 meeting, strongly advised that, as soon as HEFESTIS positive cash-flow was in place, he should step down and another person be designated as the Managing Director (MD) or CEO.
- 12 Chair described the differing options for the roles of a CEO and an MD and suggested that it may be best to commence with the leadership role being defined as MD. The Board agreed this should be the leadership title for the foreseeable future.
- 13 Chair continued to describe three options for consideration by the Board for appointment of the MD.
- 14 LC asked what the remuneration package for an external candidate would be and Chair advised that there was circa £10k pa in the budget for this possibility.
- 15 The Board discussed various aspects around the options including workload, capacity, engagement etc. The Board felt that good progress was being made in embedding the service and that it was important not to risk overloading key roles at this critical time just as the service was reinforcing its growing reputation. It was agreed that for the short term, ideally the role of the MD would be covered by a suitable interim MD and the medium to

long term situation to obtain the most optimal and efficient could then be revisited after the academic year-end build up and activities were over. The new Chair and the Acting CEO were empowered to identify a suitable appointment after some steerage was provided in the meeting, and to respond to the Board if any recommendations were required from the Board. **(ACTION: AW / BH)**

## **Financials – Financial Report and Internal Cost Handling**

### ***Financial Report***

- 16 EM joined the meeting and gave a summary report on Paper HEFESTIS/04/2019 as follows:
- Actual income to end of January was £367k
  - Actual expenditure to end January was £331k
  - The surplus is split between DPOShare (£1k) and CISOShare (£35k)
  - Income is forecast to exceed expenditure by £46k
  - Cash held at the year end is expected to be £56k
- 17 BH asked if the forecast was based on full retention of current membership and assumed no new members and EM confirm that this was the case.
- 18 BH asked if there was any indication that any members might pull out and Chair confirmed that he did not expect any members to leave the scheme. The DPO-Share had a minimum membership period until July 2020 and the CISO-Share (as an older service) minimum period expires July 2019, however, as a six-month termination notice is required, all current members would be continuing into the new academic year.
- 19 EM advised that HEFESTIS could theoretically report its accounts under FRS105 as it meets 2 of the requirements for a small company but recommended that reporting should be under FRS102 as is the case with APUC's accounting practices as FRS105 would limit the company to 10 employees. She also asked the Board if the accounts should be audited by an external company.
- 20 The Board agreed that HEFESTIS accounts should be under FRS102 and as it is a public body should be externally audited.
- 21 The Chair recommended that Chiene and Tait (C+T), who audit APUC's accounts, should be appointed as auditors this year. The Board agreed to this approach. **(ACTION: EM and AW to liaise with C+T)**

### ***Internal Cost Handling***

- 22 Chair explained the contents of paper HEFESTIS/05/2019 that proposed the allocation of costings for DPOShare and CISOShare and asked the Board for any questions.
- 23 There being no questions, the Board were happy to accept the proposed allocation of costs.

## **Governance Manual**

- 24 Chair noted that papers HEFESTIS/02/2019-Governance Manual and HEFESTIS/03/2019-Articles of Association were provided for information purposes.
- 25 LC noted that there was a typo in paragraph 14.6 regarding the adoption date for the Publication Scheme (2008 should be 2018). **(ACTION: MC)**
- 26 BH added that paragraph 3.12 should have 'directors' replaced with 'Board'. **(ACTION: MC)**
- 27 JM, referring to paragraph 8.27, asked for confirmation that directors' liability insurance was in place and Chair confirmed that it was.
- 28 The Board approved the Governance Manual subject to correction of typos noted above.

## **Articles of Association**

- 29 Chair noted that the Articles were for information purposes and were in accordance with Companies House requirements.

## **Board Meeting Frequency**

- 30 Chair suggested that there should be 2 Board meetings per year when the number of staff in HEFESTIS is less than 20 and 4 times if greater.
- 31 He noted that the next meeting would be in November to allow for completion of the annual audit and every 6 months thereafter. He added that an additional meeting could be conducted by Skype in August / September if deemed necessary.
- 32 The Board agreed to this proposal.

## **APUC-HEFESTIS Service Agreement**

- 33 Chair explained paper HEFESTIS/06/2019 that outlined the proposal for support service to be provided by APUC including HR, Finance, Governance services, ICT routine services and interim CEO services. He stressed that the proposed services will be provided 'at budget cost' in line with the normal handling of APUC's costs. He noted that there may need to be an adjustment to ICT costs as they were currently very lean.
- 34 Chair added that other services not covered above will normally be provisioned by APUC as part of the service to HEFESTIS and are budgeted in the HEFESTIS financial model.
- 35 The Board approved the service agreement.

- 36 Chair asked the Board for their view on whether HEFESTIS full members might be asked if they wished to provide some support services on a cost recovery basis (instead of APUC) for the future. AA/BH felt that, as APUC costs were lean and transfer of support services so early in the company's existence may present risks, they felt that this should not be pursued at this time. All the Board agreed with this position.

### **Adoption of Corporate Policies**

- 37 Chair asked the Board if they wished to adopt APUC policies and processes for HEFESTIS and any reasonable amendments to them. BH asked if employment conditions would be attractive for recruitment to grow into other shared service areas and Chair advised that they should be fine, noting that the HEFESTIS pension scheme from the staff perspective is the same as the UCSS scheme. The Board confirmed their agreement to adoption of APUC's policies and processes.
- 38 Chair asked the Board, by way of clarification, if they agreed that the MD should be responsible for merit increases for staff on condition that they were within the agreed funding / income levels in order to avoid lengthy and complex dialogue or an operational matter. The Board agreed to this proposal.
- 39 The Board also agreed that the company's annual cost of living increase should be aligned to the annual cost of living increase agreed for APUC group as the most comparable organisation within the sector.

### **Appointment of external Auditor for 2018/2019 financial year**

- 40 (as noted earlier) The Board agreed to appoint Chiene and Tait (APUC's auditor) as the external auditor.

### **Appointment of Audit Committee**

- 41 Chair explained that 3 board members, not including the Chair, were required to sit on the Audit Committee and AA, JM and NM volunteered. A date in October will be set in the diary for the next committee meeting. **(ACTION: MC)**

### **Other Sector Directors and Non-Sector Directors**

- 42 Chair introduced paper HEFESTIS/07/2019 and explained that it is good practice to have a representative on a corporate board who has no day to day contact with the business and who can ideally provide a perspective from another sector or industry to that in which the business operates – a Non-Sector Director (NSD). He added that most sector boards have non-sector representatives and that APUC currently has three on its board.
- 43 A potential candidate had been proposed and a CV was included in the board papers for reference. BH commented that the candidate had good appropriate experience and would be an ideal non-sector director for the board.
- 44 The Board confirmed they were happy to engage this candidate and approve an honorarium of £1500 pa (equivalent to £750 per formal meeting – generally aligned to the approach used by APUC).

- 45 The Board approved the appointment of the proposed candidate on an initial 2-year term. **(ACTION: AW and MC to make a formal offer to the NSD)**
- 46 KM enquired how the current directors' terms on the board would be cycled and Chair advised it was intended to cover this in AOB.
- 47 Chair asked for the Board's opinion on whether he should step down from the Board at such time when he is no longer the acting CEO. He noted that remaining formally a director would worsen the gender balance on the Board but that he was happy to remain involved.
- 48 JM suggested he should stay on the Board as a director to provide a short overlap with an MD appointed and thereafter be invited to be an Observer on the Board. The Board were all happy with this suggestion.

### **Officer attendance at Board Meetings**

- 49 It was agreed that officer attendance would be determined by agenda items for a given meeting.

### **Strategy Development**

- 50 Chair noted that there was no HEFESTIS Strategy yet but that it would be good practice to create a short document to define what the company will be doing going forward. He suggested that this topic should be an agenda item for the next meeting and invited the Board to give some thought to how the strategy should be structured and to focus any ideas through the new Chair. **(ACTION: Board to send proposals to new Chair)**

### **Summary Reports on the Services**

- 51 Chair introduced papers HEFESTIS/08/2019A and HEFESTIS/08/2019B and explained that these reports were for information purposes. He suggested that they might be combined into a single report for future meetings along with other more generic aspects.
- 52 BH enquired on the status of potential new service-using members joining HEFESTIS and Chair confirmed that a few institutions were interested. NM added that he believed there would be significant interest from non-sector organisations to join after a forthcoming awareness event in Edinburgh. LC added that she was aware of non-sector charities etc. that would likely welcome access to the service.
- 53 BH noted that item 4 on the CISO report should be an HE/FE initiative rather than just an HE one.

### **Any Other Business**

- 54 JM enquired about the creation of a risk register for HEFESTIS and was informed that a template based on APUC's risk register had been set up and would be developed in due course and be supplied to the Board. This would be an agenda item at the Audit Committee and the November Board meeting. **(ACTION: MC)**

- 55 LC enquired about a 'Register of Interest' and it was agreed that one should be created. **(ACTION: MC)**
- 56 It was noted that there is a need to build up a level of reserves for future security. Chair suggested an option whereby the company allocate one third of surpluses to reserves after the first year, one quarter after the second year and one fifth for the third year onwards until at least 3 months running costs were accumulated, and after which the reserves should ideally be kept at more that 3 months but less than 6 months running costs. The Board approved this approach.
- 57 JM enquired regarding the Board directors' cycles. The Board supported the concept of having 3-year cycles with a third of the Board changing each year.
- 58 An option of drawing names out of a hat to establish the appointment cycle was discussed but not required as each director volunteered to a specific initial appointment period after an initial stabilisation year.
- Directors volunteered their ongoing terms as follows:
- JM and AA: to stand down or for re-appointment after 2 years
  - NM and KM: to stand down or for re-appointment after 3 years
  - LC and BH: to stand down or for re-appointment after 4years
- 59 JM enquired if HEFESTIS had set up a bank account yet and Chair confirmed that it had in July 2018, but the bank had taken until March 2019 to complete the process. Access online was gained in the last few days.

### **Date of Next Meeting**

- 60 It was agreed that the next meeting will be in November after the accounts have been audited. It was also agreed that a Skype meeting would be held in August/September to deal with any ongoing matters ahead of the November meeting and to discuss content for the strategy that could then be approved in November. **(ACTION: MC to Doodle Poll for a suitable date)**
- 61 There being no further business, the meeting closed at 13:40.